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LAW OFFICES

**PIERSON & TUTTLE**

1200 NINETEENTH STREET, N.W.

SUITE 607

WASHINGTON, D.C. 20036

(202) 466-3044 / FAX: (202) 466-3055

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

December 16, 1993

William F. Caton  
Acting Secretary  
Federal Communications Commission  
Room 242  
1919 M Street, NW  
Washington, D.C. 20554

RE: File No. RM 8388

Comments of the Association for Local Telecommunications Services in Support of  
MFS Communications Company, Inc.'s Universal Service Petition

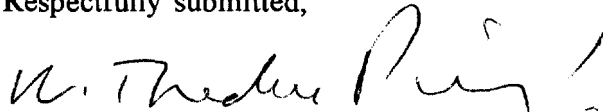
Dear Mr. Caton:

Enclosed herewith for filing are an original and four copies of the Comments of the Association for Local Telecommunications Services in Support of MFS Communications Company, Inc.'s Universal Service Petition.

I am also enclosing a copy marked "receipt copy" to be stamped as received and returned to us.

If you have any questions concerning this filing, please contact the undersigned.

Respectfully submitted,



W. Theodore Pierson, Jr.  
Counsel for ALTS

Enclosure

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Before the  
**FEDERAL COMMUNICATIONS COMMISSION**  
 Washington, D.C. 20554

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DEC 16 1993

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of )  
 )  
 Inquiry into Policies and Programs )  
 to Assure Universal Telephone Service )  
 in a Competitive Market Environment )

File No. RM 8388

**ASSOCIATION OF LOCAL TELECOMMUNICATIONS SERVICES**  
**COMMENTS IN SUPPORT OF MFS COMMUNICATIONS COMPANY, INC.**  
**UNIVERSAL SERVICE PETITION**

The Association of Local Telecommunications Services ("ALTS"), pursuant to the Public Notice of November 16, 1993,<sup>1</sup> hereby submits its comments in full support of the Petition of MFS Telecommunications Company, Inc. ("MFS Petition"), filed on November 1, 1993.

MFS has requested the Commission to expeditiously issue a Notice of Inquiry ("NOI") looking toward the establishment of modernized and equitable policies and procedures to assure universal service. MFS suggests that, at an early stage in the process, the Commission should convene an *en banc* hearing to explore the issues, the evidence and the solutions.

ALTS fully supports both the issuance of a NOI and the holding of an *en banc* hearing. There is no dispute within government circles and private industry that universal service remains one of the most important public policy objectives for

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<sup>1</sup> *Public Notice*, Rep. No. 1986, Mimeo 40604, November 16, 1993, requesting comment on the MFS Petition on or before December 16, 1993.

telecommunications. Likewise, there is little dispute that the continued introduction of new telecommunications technologies and services is challenging the assumptions underlying the current system of universal service subsidies. But there is widespread dispute concerning almost everything else that is encompassed in the phrase "universal service." It is, therefore, timely for the Commission to address this subject in depth and without prejudices based upon past, largely untested, assumptions as to the underlying facts concerning the actual size of the subsidy and who really pays it.

As the MFS Petition points out, there are five basic issues that must be addressed in reforming universal service policies to accord with the realities of the current marketplace:

(1) Which services and users really require a subsidy in order to receive telephone service? Although rural areas never have been homogenous and, therefore, it always has been a myth that all rural areas were high cost areas that needed subsidization, modern telecommunications infrastructure developments, including the explosion in wireless services, and the steady encroachment of exurbia into rural areas, have made a simple division among geographic areas impossible and a division based upon targeted and mobile demographic groups an imperative.

(2) How much of a subsidy is required? This entails a determination, first, of what type of telecommunications services are to be universally available. Is it something more than the traditional Plain Old Telephone Service? That is, should the Commission seek to ensure that the U.S. population has access to modern data communications or mobile communications in addition to voice from fixed locations? Second, a determination must

be made as to what level of support for the targeted users and user groups is necessary to support the type of universal service desired. This requires an investigation of the costs of the provision of universal service, which requires a skeptical analysis of the real costs of efficient, competition-driven telecommunications, not rate-base, rate-of-return local exchange services.

(3) How should the subsidies be distributed? Should they be buried in a complex, unauditible, multi-layered system, such as exists today, or be explicit, direct and visible?

(4) Who should administer whatever subsidies are determined to be desirable? Is it fair to the newly emerging competitors, and consistent with the public interest in an efficient and productive system, to allow the traditional local telephone companies, the major recipients of the subsidies and the major contributors, to decide which companies pay and how much and which companies receive and how much?

(5) Finally, any inquiry needs to address the manner in which the subsidy funds should be raised, i.e., who should pay and how? ALTS and its members have been committed from the beginning, and remain committed, to paying their fair share to support universal service.<sup>2</sup> It is important that *all telecommunications providers* both contribute to any fund in a neutrally-determined, nondiscriminatory manner and be eligible to receive moneys from the universal fund for the purpose of serving subsidized customers.

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<sup>2</sup> In earlier comments to the Commission, ALTS submitted its White Paper on "Telecommunications Policy '93." The White Paper emphasizes ALTS commitment to the deployment of "a modern, nationwide telecommunications platform to support competitive business and industry and to advance essential social goals." In that White Paper ALTS proposed the concept of a Universal Service Assurance Plan to the extent that the marketplace failed to achieve ubiquitous service.

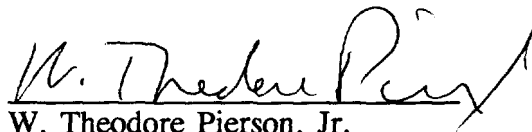
These five issues are fundamental and critical questions, not just for ALTS members and the LECs, but for the entire telecommunications industry and their customers, both residential and business. They are issues that must be reexamined from a zero-based perspective, without the baggage of myth, monopoly and outmoded technologies.

The only way that this necessary reexamination can be accomplished is through the immediate institution of a comprehensive NOI. Although the Commission does not often convene *en banc* hearings, this is one of those occasions when the process will be improved and expedited by such a hearing, held near the beginning of the process, in order to clearly define the mission, scope and issues of the proceeding.

ALTS and its members intend to fully cooperate with the Commission and the staff in moving this process forward, and stand ready to devote the resources necessary in order to achieve the appropriate public policy objectives for guaranteeing universal service to the nation's infrastructure.

Respectfully submitted,

**ASSOCIATION FOR LOCAL  
TELECOMMUNICATIONS SERVICES**



W. Theodore Pierson, Jr.  
Douglas J. Minster  
Pierson & Tuttle  
1200 19th Street, N.W.  
Suite 607  
Washington, D.C. 20036  
Its Counsel

Heather Burnett Gold  
President  
Association for Local  
Telecommunications Services  
1200 19th Street, N.W.  
Suite 607  
Washington, D.C. 20036

December 16, 1993

**CERTIFICATE OF SERVICE**

I hereby certify that on this 16th day of December, 1993, a copy of the foregoing  
COMMENTS OF THE ASSOCIATION FOR LOCAL TELECOMMUNICATIONS  
SERVICES IN SUPPORT OF MFS COMMUNICATIONS COMPANY, INC.'S UNIVERSAL  
SERVICE PETITION was served by hand\* or first class mail, postage prepaid, on the parties  
listed on the attached pages.

  
Susan Willcox Dykeman

Chairman Reed Hundt\*  
Federal Communications Commission  
Room 814  
1919 M Street, N.W.  
Washington, DC 20554

Andrew C. Barrett\*  
Commissioner  
Federal Communications Commission  
1919 M Street, N.W.,  
Room 844  
Washington, DC 20554

Ervin S. Duggan\*  
Commissioner  
Federal Communications Commission  
1919 M Street, N.W.,  
Room 832  
Washington, DC 20554

Kathleen B. Levitz\*  
Acting Chief  
Common Carrier Bureau  
Federal Communications Commission  
1919 M Street, N.W. , Room 500  
Washington, DC 20554

Gregory Vogt\*  
Chief  
Tariff Division  
Federal Communications Commission  
1919 M Street, N.W.,  
Room 518  
Washington, DC 20554

James D. Schlichting\*  
Chief, Policy and Program  
Planning Division  
Federal Communications Commission  
1919 M Street, N.W. , Room 544  
Washington, DC 20554

International Transcription Service\*  
1919 M Street, N.W.,  
Room 246  
Washington, DC 20544

Andrew D. Lipman  
Russell M. Blau  
Swidler & Berlin, Chartered  
Attorneys for MFS  
Communications Co., Inc.  
3000 K Street, N.W.  
Washington, DC 20007